

## Message Text

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ACTION EUR-08

INFO OCT-01 ISO-00 MMS-01 SP-02 PER-01 /013 W

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R 171112Z APR 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 3005

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L SECTION 01 OF 03 BUDAPEST 1069

LIMDIS

E.O. 11652: GDS

TAGS: OGEN, HU

SUBJ: ANNUAL POLICY ASSESSMENT - HUNGARY

REF: STATE 032826 AND 9732

1. OUR POLICY OBJECTIVES AS STATED IN REVISION OF EUROPARA HUNGARY 1973 (BUDAPEST A-63 OF AUGUST 8, 1974) REMAIN BASICALLY VALID. FOLLOWING ARE OUR VIEWS AS TO HOW WE SHOULD BEST PROCEED TO ADVANCE THESE OBJECTIVES.

A) SECSTATE ROGERS' VISIT TO BUDAPEST IN 1972 WAS FOLLOWED BY VISITS OF VICE PREMIER VALYI AND FOREIGN TRADE MINISTER BIRO TO U.S. IN 1973 AND 1974. VISITS AT THIS LEVEL SHOULD BE EXPANDED TO INCLUDE POLITICAL DIALOGUE. SINCE PRESENT (JUST AS PAST) PARTY AND GOVERNMENT LEADERS HAVE HAD LITTLE EXPOSURE TO U.S. AND TEND TO VIEW IT THROUGH PRISM OF ORTHODOX MARXIST TEXTBOOKS, WE NEED TO BRING HUNGARIAN POLICY-MAKERS INTO CLOSER CONTACT WITH U.S. IN PRESENT PERIOD OF DETENTE. VISITS BY STATE DEPT OFFICIALS RESPONSIBLE FOR HUNGARIAN AFFAIRS HAVE RECENTLY PROVIDED BOTH SIDES WITH BETTER PERSPECTIVE ON PROBLEMS AND SHOULD BE ENCOURAGED UP TO ASSISTANT SECRETARY LEVEL.

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FONMIN PUJA HIMSELF HAS INFORMALLY RAISED POSSIBILITY OF

BEING INVITED TO U.S., AN INVITATION WHICH GOH VIEWS AS NATURAL AFTERMATH OF ROGERS VISIT TO BUDAPEST. PUJA'S RAISING QUESTION CAN BE CONSIDERED EVIDENCE OF GOH INTEREST IN INITIATING A POLITICAL DIALOGUE WITH U.S. TO ADVANCE THIS DIALOGUE WE RECOMMEND THAT AT NEXT UNGA IN NEW YORK AN INVITATION BE EXTENDED TO PUJA TO CALL ON SECRETARY.

B) HIGH-LEVEL VISITS SHOULD BE CONTINUED IN OTHER AREAS, E.G. ECONOMIC, COMMERCIAL, CULTURAL, WHERE EXPANSION OF HUNGARY'S RELATIONS WITH U.S. ARE INVOLVED. SUCH EXCHANGES WOULD BE DESIGNED TO PAY ATTENTION TO THOSE FORCES IN HUNGARY WHOSE VIEWS STAND BEST CHANCE OF BEING AFFECTED FAVORABLY BY U.S. CONTACTS. THESE VISITORS SHOULD INCLUDE VICE PREMIER HUSZAR, MINISTERS OF HEAVY INDUSTRY, AGRICULTURE, AND METALLURGY AND MACHINE BUILDING. VISITS SHOULD ALSO BE MADE BY SUCH U.S. OFFICIALS AS SECRETARIES SIMON, BUTZ AND COLEMAN.

C) TO EXTENT POSSIBLE, GIVEN PRESENCE OF 70,000 SOVIET TROOPS HERE, GOH SEEMS BENT ON ACQUIRING FOR ITSELF WIDER AREAS OF INDEPENDENT MANEUVER, PARTICULARLY IN ECONOMIC FIELD. KADAR HIMSELF, AS WELL AS OTHER HSWP LEADERS, AT 11TH PARTY CONGRESS EMPHASIZED NEED FOR GREATER ECONOMIC SELF RELIANCE. TO ACHIEVE THIS GOAL GOH MUST CONDUCT ITSELF PRUDENTLY SO THAT SOVIETS DO NOT COME TO VIEW THEIR STRATEGIC INTERESTS AS THREATENED. WE BELIEVE HIGH-LEVEL EXCHANGES, SUCH AS THOSE PROPOSED ABOVE, WOULD BE USEFUL NOT ONLY IN EXPOSING HUNGARIAN LEADERSHIP TO U.S. BUT ALSO IN DETERMINING DEGREE TO WHICH GOH IS PREPARED TO GO IN PURSUING AN INCREASINGLY INDEPENDENT COURSE. SUCH EXCHANGES WOULD HAVE TO BE CAREFULLY TIMED AND GEARED TO PACE AND LEVEL OF DEVELOPMENT WHICH HUNGARY IS PREPARED TO ACCEPT.

D) ALTHOUGH FORWARD MOVEMENT ON CULTURAL AGREEMENT IS AWAITING MORE OPPORTUNE TIMING, U.S. SHOULD BE READY TO SEIZE OPPORTUNITIES TO INCREASE AND MAKE MORE EFFECTIVE U.S. PRESENCE IN CULTURAL AND INFORMATIONAL FIELDS. PROGRAM OF EXCHANGES SHOULD BE EXPANDED BOTH TO ACADEMIC AREAS AND INDIVIDUAL IV GRANTS. USE OF SPEAKERS ABOUT VARIOUS ASPECTS OF U.S. SOCIETY SHOULD BE MORE FREQUENT. SCHEDULING OF CULTURAL PRESENTATIONS AND EXHIBITS, BOTH

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ON AND OFF-PREMISES, SHOULD BE MAXIMIZED. CONTACTS IN MEDIA SHOULD CONTINUE TO BE UTILIZED TO FULLEST FOR EXPLANATION OF U.S. FOREIGN POLICY POSITIONS, AND DISTRIBUTION OF INFORMATIONAL MATERIALS FOR MEDIA PLACEMENT AND BACKGROUND USE SHOULD BE FURTHER INCREASED. NEW EFFORTS SHOULD BE MADE TO REMOVE LAST REMNANTS OF INFORMATIONAL RESTRICTIONS, NOW LARGELY ERODED AWAY, WHICH WERE IMPOSED BY GOH IN 1950'S. WE SHOULD ALSO

EXPAND EXISTING PROGRAMS UNDER NAS, NSF, AND IN SOCIAL SCIENCE FIELDS.

E) HUNGARY EXPECTS TO SPEND \$3 BILLION OVER PERIOD OF NEXT FIVE-YEAR PLAN ON PURCHASES FROM WEST. WE SHOULD TAKE STEPS TO SEE TO IT THAT U.S. PRODUCTS MAKE UP A MUCH GREATER PERCENTAGE OF HUNGARIAN IMPORTS. SEMINARS AND TRADE MISSIONS SHOULD BE CONTINUED AS WELL AS REGULAR PARTICIPATION IN BUDAPEST INTERNATIONAL FAIR.

F) TO IMPROVE OUR CHANCES FOR GETTING GREATER SHARE OF \$3 BILLION GOH SAYS IT WILL SPEND IN WEST OVER NEXT FIVE YEARS, EXIM FINANCING SHOULD BE EXTENDED TO HUNGARY AT MOST ADVANTAGEOUS TERMS. SUCH FINANCING WOULD IMPROVE COMPETITIVE POSITION OF U.S. FIRMS INTERESTED IN HUNGARIAN MARKET AND COULD BE EXTENDED TO HUNGARY IN CONNECTION WITH MFN AND SATISFACTORY SETTLEMENT OF BOND ISSUE. EXTENSION OF MFN AND EXIM CREDITS WOULD REMOVE LAST SEMBLANCE OF ECONOMIC DISCRIMINATION AGAINST HUNGARY AND PROVIDE ENORMOUS STIMULUS TOWARDS GREATLY EXPANDED TRADE RELATIONS.

G) WE SHOULD SPEED UP PROCESSING OF LICENSE APPLICATIONS IN CONNECTION WITH EXPORT CONTROLS AND, TO THE EXTENT CONSISTENT WITH NATIONAL SECURITY, CONSIDER REDUCTION IN NUMBER OF ITEMS SUBJECT TO CONTROL.

H) GOH SHOULD BE PUSHED TO PERMIT LARGER U.S. COMMERCIAL PRESENCE IN HUNGARY. THIS IS REQUIRED IF U.S. FIRMS ARE TO HAVE EFFECTIVE CONTACT WITH HUNGARIAN ENTERPRISES, MINISTRIES, AND CHAMBER OF COMMERCE. GOH HAS MOVED FORWARD ON BUSINESS FACILITATION ISSUE AND WE BELIEVE IT IS SIGNIFICANT THAT SECOND OFFICE OF WESTERN FIRM TO BE ESTABLISHED IN BUDAPEST UNDER NEW GOH REGULATIONS WILL BE THAT OF U.S. FIRST NATIONAL CITY BANK OF NEW YORK. WE BELIEVE EXPRESSIONS OF CONFIDENTIAL

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SUPPORT FOR U.S. BUSINESS ON THIS QUESTION OFFER BEST PROSPECT FOR ACQUISITION OF SATISFACTORY FACILITIES FOR U.S. FIRMS WITH SIGNIFICANT BUSINESS INTEREST HERE.

I) GOH HAS BECOME MORE AWARE OF DAMAGE, BOTH REAL AND POTENTIAL, TO ITS RELATIONS WITH U.S. AS RESULT OF ITS PERFORMANCE ON ICCS IN VIETNAM. SO FAR, HOWEVER, ITS RESPONSES TO OUR DEMARCHES, ALTHOUGH SLIGHTLY MORE FORTHCOMING, FALL FAR SHORT OF SATISFACTORY. WE SHOULD CONTINUE TO PRESS HUNGARIANS TO USE EFFECTIVELY ITS GOOD OFFICES WITH PRG IN HUMANITARIAN INTEREST OF FINDING AND REPATRIATING ALL THOSE NONCOMBATANT AMERICANS WHO HAVE BEEN CAUGHT UP IN THE NORTH VIETNAMESE OFFENSIVE.

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ACTION EUR-08

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 3006

INFO AMEMBASSY BELGRADE

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AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L SECTION 02 OF 03 BUDAPEST 1069

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J) WE SHOULD STRIVE TO GET MORE EVEN-HANDED INTERPRETATIONS OF LIFE IN U.S. AND BETTER UNDERSTANDING OF U.S. FOREIGN AND DOMESTIC POLICY BY CHOOSING PROMINENT HUNGARIAN WRITERS, JOURNALISTS, AND TV SPECIALISTS FOR TRAVEL GRANTS TO U.S.

K) MUTUAL RESTRICTIONS AND IRRITANTS FROM PREVIOUS PERIOD OF TENSE RELATIONS SHOULD BE ELIMINATED. WE SHOULD MOVE AS SOON AS POSSIBLE TO RESPOND POSITIVELY TO HUNGARIAN PROPOSAL FOR MUTUAL ELIMINATION OF CLOSED AREAS.

L) WE SHOULD CONTINUE TO PRESS GOH, QUIETLY AND UNOBTRUSIVELY, FOR LESS RESTRICTIVE EMIGRATION-PASSPORT POLICY. NUMBER OF REUNIFICATION OF FAMILY CASES, WHILE NOWHERE NEAR SAME SIZE PROBLEM (APPROXIMATELY 25) AS IN MOST EOTHER EE COUNTRIES, SHOULD BE REDUCED. WHILE GOH SETTLEMENT RECORD IN SUCH CASES IS GOOD, WE NEED TO SPEED UP ACTION AND REDUCE NUMBER OF OUTSTANDING UNRESOLVED CASES. WE BELIEVE CONTINUATION OF QUIET DIPLOMACY IS CLEARLY BEST WAY TO OBTAIN DESIRED RESULTS. SMALL SCALE OF ISSUE LENDS ITSELF READILY TO INDIVIDUAL INTERCESSION.

M) EMBASSY BUDAPEST IS A LEAN POST CAPABLE WITH ITS PRESENT STAFFING OF ACCOMPLISHING ABOVE RECOMMENDATIONS. ITS ABILITY, HOWEVER, TO CARRY OUT ITS ASSIGNED  
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MISSION WOULD BE SEVERELY IMPAIRED IF THERE WERE TO BE FURTHER CUTS IN PERSONNEL. WE DO NOT HAVE FIGURES INDICATING TOTAL COST LEVEL AT WHICH EMBASSY OPERATED IN FY-1975. STATE BUDGET ESTIMATE FOR FY-1976 IS IN PROCESS OF COMPLETION. IT WILL HAVE TO TAKE INTO ACCOUNT, INTER ALIA, 14 PERCENT DECLINE IN DOLLAR PURCHASING POWER VIS-A-VIS FORINT AND LIKELIHOOD OF FURTHER DEVALUATION OF DOLLAR THIS YEAR. IN ADDITION, WE MUST CALCULATE INFLATIONARY IMPACT AVERAGING 10 PERCENT SO FAR THIS YEAR. SALARY LEVELS FOR EMBASSY EMPLOYEES HAVE RISEN AND IN GENERAL CHARGES FOR SERVICES IMPORTANT TO EMBASSY OPERATION HAVE SOARED FROM 10-12 PERCENT.

2. THERE ARE THREE MAJOR ISSUES BETWEEN U.S. AND HUNGARY -- MFN, RETURN OF CROWN, AND REACHING AGREEMENT ON BROAD CULTURAL AND SCIENTIFIC AGREEMENT UNDER DISCUSSION SPORADICALLY SINCE 1972. UNTIL FIRST TWO ARE RESOLVED U.S.-HUNGARIAN RELATIONS WILL NOT BE COMPLETELY NORMAL. PAST TWO YEARS HERE HAVE BEEN SPENT ON PREPARING TERRAIN FOR EVENTUAL DAY WHEN NEW U.S. TRADE LEGISLATION WOULD BE PASSED. WHEN NEW LEGISLATION WAS FINALLY PASSED, IT WAS UNACCEPTABLE TO HUNGARY, PARTLY BECAUSE OF SOVIET ATTITUDE, PARTLY BECAUSE OF SMALL COUNTRY SENSITIVITY TO BIG POWER INTRUSION INTO ITS INTERNAL AFFAIRS. OUR FAILURE TO COME UP WITH TRADE BILL ACCEPTABLE TO GOH WAS A MAJOR SETBACK AND HAS PROBABLY COST US CONSIDERABLE AMOUNT OF BUSINESS THAT NOW HAS GONE OR WILL GO TO FRG, JAPANESE, AND OTHERS. HUNGARIANS, HOWEVER, ARE PATIENT AND UNDERSTANDING AND HAVE TOLD US THEY ARE CONFIDENT ADMINISTRATION WILL COME UP WITH ACCEPTABLE LEGISLATION BEFORE CLOSE OF 1975. IN MEANTIME THEY HAVE SAID THEY WILL MAKE A PAYMENT ON THIRD TRANCHE DUE ON CLAIMS AGREEMENT AND HAVE REACHED AN UNDERSTANDING WITH FOREIGN BONDHOLDERS PROTECTIVE COUNCIL FOR COMPENSATION OF AMERICAN HOLDERS OF HUNGARIAN DOLLAR-DENOMINATED STATE, CORPORATE, AND MUNICIPAL BONDS.

3. RETURN OF CROWN HAS BECOME A MUCH MORE FREQUENT SUBJECT OF CONVERSATION HERE ON SEMI-OFFICIAL BASIS. GOH WANTS IT BACK AND WHILE ITS PATIENCE IS GRADUALLY GETTING SHORTER, IT IS STILL HOPING WE WILL RETURN IT

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VOLUNTARILY. NEVERTHELESS, IF CROWN IS NOT RETURNED SOON, WE DO NOT EXCLUDE POSSIBILITY THAT STEPS WILL BE TAKEN EITHER TO FORMALLY REQUEST US TO RETURN IT OR TO

BRING MATTER TO ATTENTION OF UNESCO. WE SHOULD TAKE STEPS TO RE-EXAMINE THIS MATTER AND TO DETERMINE OPTIMUM CIRCUMSTANCES UNDER WHICH CROWN SHOULD BE RETURNED, BEARING IN MIND IT IS FAR BETTER FROM U.S. STANDPOINT TO VOLUNTARILY RETURN CROWN, SYMBOL OF HUNGARIAN LEGITIMACY, THAN TO WAIT FOR GOH TO MAKE IT FORMAL ISSUE IN BILATERAL RELATIONS OR IN INTERNATIONAL FORE, THUS GIVING IT APPEARANCE OF BEING RETURNED UNDER DURESS.

4. ALTHOUGH NEGOTIATION OF A CULTURAL AND SCIENTIFIC AGREEMENT, A DESIRABLE AND IMPORTANT GOAL, HAS BEEN DELAYED, THIS HAS NOT BEEN AN OBSTACLE SO FAR IN EXPANDING RELATIONS IN THE CULTURAL, INFORMATION AND SCIENTIFIC FIELDS. ENORMOUS PROGRESS HAS BEEN MADE IN ALL THESE SPHERES IN PAST TWO YEARS AND, ALTHOUGH THERE ARE CONSTANT RUMORS HERE AND SPECULATION IN WESTERN PRESS RE HARDENING OF RELATIONS IN THESE AREAS, NO ACTION HAS BEEN TAKEN TO CUT BACK ON CONTACTS WITH U.S. TO THE CONTRARY, AN EXPANSION OF U.S. RELATION IN THESE SENSITIVE AREAS HAS BEEN QUIETLY AND UNOBTUSIVELY ACHIEVED. THESE DEVELOPMENTS ARE SOLID INDICATIONS OF GOH INTENT TO IMPROVE BILATERAL RELATIONS IN SPITE OF EXISITING PROBLEMS IN OTHER FIELDS.

5. EVEN WITHOUT MFN AND EXPORT-IMPORT BANK CREDITS, TRADE HAS CONTINUED TO INCREASE. HOWEVER, AS LONG AS MFN AND EXIM ARE NOT FORTHCOMING, U.S. IS DESTINED TO REMAIN PRINCIPALLY A SUPPLIER OF LAST RESORT TO PRODUCTS SUCH AS SOYBEANS, HEAVY-DUTY FARM EQUIPMENT, COMPUTERS, AND CERTAIN SEGMENTS OF ELECTRONIC INDUSTRY WHERE WE ENJOY A CLEARLY DOMINANT POSITION. UNTIL OUTSTANDING TRADE QUESTIONS ARE SETTLED, U.S. FIRMS WILL FIND IT EXTREMELY DIFFICULT TO MEET COMPETITION FROM WEST EUROPE AND JAPAN IN HUNGARIAN MARKET EXCEPT THROUGH OVERSEAS SUBSIDIARIES, ALTHOUGH COOPERATION AGREEMENTS WITH HUNGARIAN FIRMS MAY OFFER POSSIBILITIES IN SOME INSTANCES FOR GETTING AROUND EXISTING BARRIERS. IN  
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SPITE OF LARGE FOREIGN TRADE DEFICIT REGISTERED LAST YEAR IN TRADE WITH WEST AND PROGRAM TO LIMIT HARD CURRENCY IMPORTS AS MUCH AS POSSIBLE, IT IS VIRTUALLY CERTAIN THAT VOLUME OF WESTERN IMPORTS TO HUNGARY WILL CONTINUE TO EXPAND ALBEIT AT A SOMEWHAT MORE MODEST PACE THAN ANTICIPATED A YEAR AGO. HUNGARIANS TELL US THAT THEY WILL IMPORT \$3 BILLION FROM DEVELOPED NON-COMMUNIST COUNTRIES IN 1976-80 PERIOD AND HAVE MADE IT CLEAR THAT SIGNIFICANT U.S. COMMERCIAL PRESENCE WOULD BE WELCOMED AS BALANCE TO HEAVILY DOMINANT POSITION

CLEARLY ENJOYED BY FRG AND, TO A LESSER EXTENT, OTHER  
EEC COUNTRIES IN HUNGARY'S WESTERN TRADE. YET NO  
BREAKTHROUGHS WILL BE ACHIEVED UNTIL MFN PROBLEM  
SETTLED AND EXIM CREDITS GRANTED, ALTHOUGH OUR LEVEL  
OF BILATERAL TRADE MAY CONTINUE TO EXPAND MODESTLY  
AND, AT ANY RATE, SHOULD NOT SINK BELOW CURRENT LEVELS.  
WITH MFN AND EXIM, U.S.FIRMS WOULD UNDOUBTEDLY MAKE  
MAJOR INROADS AT EXPENSE OF WESTERN EUROPEAN COMPETITION  
AND ESTIMATES MADE TO US BY GOH OFFICIALS THAT OUR  
BILATERAL TRADE WOULD REACH THE \$400-500 MILLION LEVEL  
WITHIN A FEW YEARS TIME DO NOT APPEAR TO BE AT ALL  
FAR-FETCHED.

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AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L FINAL SECTION OF 03 BUDAPEST 1069

LIMDIS

6. PRIMARY U.S. INTERESTS IN HUNGARY INCLUDE

(1) EVOLUTION OF HUNGARY INTO A POLITICAL ENTITY MORE  
INDEPENDENT AND MORE RESPONSIVE TO INTERESTS OF ITS  
PEOPLE, AND (2) ENHANCEMENT OF EXISTING IDENTIFICATION  
OF PEOPLE WITH WEST. 11TH HSWP CONGRESS MADE CLEAR THAT  
REFORMIST POLICIES IN ECONOMIC AND SOCIAL SPHERES WILL  
CONTINUE. EMPHASIS REMAINS ON PARTICIPATORY POLITICS  
AND ON NEED TO MEET INCREASING DEMANDS OF PEOPLE FOR  
CONSUMER GOODS. KADAR HAS REASSURED POPULACE THAT NO  
RADICAL CHANGES ARE CONTEMPLATED AND BY CAREFUL

MANIPULATION OF PERSONNEL AT HIGH LEVEL HAS ACQUIRED FOR HIMSELF A PARTY HIERARCHY MORE RESPONSIVE TO HIS CONCEPTS OF HUNGARIAN INTERESTS.

7. DESPITE DISAPPOINTMENT IN U.S. TRADE BILL GOH SEEMS PREPARED TO EXPAND ITS RELATIONS WITH U.S. AND TO CONTINUE POLICY OF DETENTE WHICH AIDS IN ENCHANCING BASIC WESTERN ORIENTATION OF HUNGARIAN PEOPLE. IN ADDITION, DOMESTIC REFORMIST POLICIES OF KADAR REGIME HAVE HELPED CREATE INDUSTRIAL AND COMMERCIAL PRACTICES MORE CONDUCTIVE TO COOPERATION WITH U.S. AND ARE CREATING LARGER APPETITIE AMONG PEOPLE FOR MORE ECONOMIC AND CONFIDENTIAL

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SOCIAL FREEDOM. AS LONG AS SOVIET TROOPS ARE IN HUNGARY, HOWEVER, IT IS NOT REALISTIC TO EXPECT HUNGARY'S EXPERIMENTS TO GO BEYOND CERTAIN BOUNDS. NEVERTHELESS, KADAR AND OTHER HIGH-RANKING HUNGARIANS EMPHASIZED REPEATEDLY DURING PARTY CONGRESS NECESSITY FOR HUNGARY TO RELY MORE AND MORE ON ITS OWN RESOURCES AND TO DEVELOP MORE INDEPENDENCE OF ACTION. WE BELIEVE LONGER RANGE EVOLUTIONARY EFFECT OF WHAT IS HAPPENING IN HUNGARY ON OTHER SOCIALIST COUNTRIES COULD BE HIGHLY SIGNIFICANT IN TERMS OF A MORE HUMANE APPROACH TO GOVERNMENT AND IN REMOVING THOSE ASPECTS OF AUTOCRACY, SECRECY, AND CYNICAL LACK OF REGARD FOR HUMAN VALUES SO LONG ASSOCIATED WITH SOVIET SOCIALISM.

8. U.S.-HUNGARIAN RELATIONS, WHICH HAVE BEEN IN STATE OF STAGNATION FOR ALMOST A YEAR, SUFFERED SEVERE BODY BLOW WHEN LATE 1974 TRADE LEGISLATION PROVED TO BE UNACCEPTABLE. WE REALIZE THAT A SMALL COUNTRY LIKE HUNGARY DOES NOT LOOM LARGE IN U.S. VIEW OF WORLD SCENE. HOWEVER, THERE ARE PRESENT HERE IN OVERWHELMING MAJORITY OF HUNGARIAN PEOPLE STRONG TIES TO U.S. WHICH SHOULD NOT GO UNNOTICED, PARTICULARLY IN LIGHT OF HUNGARY'S POSITION IN CENTRAL EUROPE. WE BELIEVE CERTAIN INITIATIVES ARE CALLED FOR NOW ON PART OF USG IN ORDER TO PREVENT TURN-DOWN FROM PRESENT LEVEL OF ACHIEVEMENTS IN BILATERAL RELATIONS. SO FAR, HUNGARIANS HAVE SHOWN NO SIGNS OF DISILLUSIONMENT WITH THEIR RELATIONSHIP WITH U.S.; ON CONTRARY THEY APPEAR MORE INTERESTED THAN EVER IN WIDENING ECONOMIC RELATIONS AND IMPROVING POLITICAL DIALOGUE WITH U.S. SOME POSITIVE SIGN OF U.S. INTEREST IN CONTINUING TO IMPROVE RELATIONS IS IMPORTANT NOW, TO INDICATE TO HUNGARIANS THAT TANGIBLE BENEFITS CAN BE OBTAINED FROM IMPROVING RELATIONS WITH U.S. WE SHOULD NOT CAUSE HUNGARIANS TO DRAW CONCLUSION THAT BECAUSE OF U.S. DISINTEREST OR INSTRNSIGENCE THEIR ONLY ALTERNATIVE IS TO BECOME TOTALLY RESPONSIVE TO SOVIETS.



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